

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF SOUTH ROCKWOOD	County MONROE
Fiscal Year End 6-30-2007	Opinion Date 10-31-2007	Date Audit Report Submitted to State 11-13-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, CPAS		Telephone Number 734-241-7200	
Street Address 1 SOUTH MONROE STREET		City MONROE	State MI
		Zip 48161	
Authorizing CPA Signature 	Printed Name PETER H. CARLTON, CPA		License Number 1101009575

VILLAGE OF SOUTH ROCKWOOD  
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

June 30, 2007

# VILLAGE OF SOUTH ROCKWOOD

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*June 30, 2007*

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COOLEY HEHL  
WOHLGAMUTH & CARLTON  
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA  
David K. Hehl, CPA  
Robert W. Wohlgamuth, CPA  
Peter H. Carlton, CPA  
Matthew D. Hehl, CPA  
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281  
Telephone: (734) 241-7200 • Fax: (734) 241-2637  
www.chwccpa.com

Members:  
American Institute of Certified Public Accountants  
Michigan Association of Certified Public Accountants  
Division for CPA Firms American Institute of  
Certified Public Accountants

### Independent Auditor's Report

Village Council  
Village of South Rockwood  
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of South Rockwood, Monroe County, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of South Rockwood, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of South Rockwood, Monroe County, Michigan as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 43 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village Council  
Village of South Rockwood

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of South Rockwood, Monroe County, Michigan basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cooley Hehl Wohlgamuth & Carlton*

October 31, 2007

## VILLAGE OF SOUTH ROCKWOOD

### *Management's Discussion and Analysis Year Ended June 30, 2007*

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This section of the Village of South Rockwood's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, Capital Projects Fund, Internal Service Fund, and Proprietary Funds.

#### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of South Rockwood financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's most significant funds - the General Fund, the Major Street Fund, the Local Street Fund, Sewer and Water Funds, and the Equipment Fund. The following summary illustrates how the various parts of this annual report are arranged:

#### *Management's Discussion and Analysis (MD&A) (Required Supplemental Information)*

#### Basic Financial Statements

*Government-Wide Financial Statements      Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Budgetary Information for Major Funds  
(Required Supplemental Information)*

*Other Supplemental Information*

## VILLAGE OF SOUTH ROCKWOOD

### *Management's Discussion and Analysis* *Year Ended June 30, 2007*

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#### **Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities (pages 10-12), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two government-wide statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The government-wide financial statements of the Village are divided into two categories:

**Governmental activities** – Most of the Village's basic services are included here, such as the police, inspection, planning and zoning, public works, sanitation and recycling, recreation, streets, cemetery and general administration. Property taxes, state-shared revenue and charges for services provide most of the funding.

**Business-type activities** – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are treated as business-type activities.

#### **Fund Financial Statements**

The Village's Fund Financial Statements (pages 13-22) provide detailed information about the most significant or "major" funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's two types of funds, governmental, and proprietary, use different accounting approaches as described below:

**Governmental funds** - Many of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 15 and 18.



## VILLAGE OF SOUTH ROCKWOOD

*Management's Discussion and Analysis*  
Year Ended June 30, 2007

### Fund Financial Statements (Concluded)

**Proprietary fund** – Proprietary Funds are used to account for services provided by the Village where the Village charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The Village maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and water services. An internal service fund is used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its equipment rental activity. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

### Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of June 30, 2007 and 2006:

**Table 1:**

#### Comparative Statement of Net Assets June 30,

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$1,240,130	\$1,231,907	\$380,885	\$485,965	\$1,621,015	\$1,717,872
Capital assets, net	544,254	401,761	4,926,443	4,934,913	5,470,697	5,336,674
<b>Total Assets</b>	1,784,384	1,633,668	5,307,328	5,420,878	7,091,712	7,054,546
Current and other liabilities	124,329	65,565	127,720	137,288	252,049	202,853
Long-term liabilities	97,319	61,855	1,750,598	1,860,187	1,847,917	1,922,042
<b>Total Liabilities</b>	221,648	127,420	1,878,318	1,997,475	2,099,966	2,124,895
Net Assets						
Invested in capital						
assets, net of related debt	443,839	369,349	3,066,256	2,956,837	3,510,095	3,326,186
Restricted	662,086	637,858	0	0	662,086	637,858
Unrestricted	456,811	499,041	362,754	466,566	819,565	965,607
<b>Total Net Assets</b>	<u>\$1,562,736</u>	<u>\$1,506,248</u>	<u>\$3,429,010</u>	<u>\$3,423,403</u>	<u>\$4,991,746</u>	<u>\$4,929,651</u>

The Village's combined net assets of \$4.9 million increased 1%, approximately \$62,000 from 2006. Business-type activities (the Water and Sewer Fund) account for 68% of the Village's net asset balance. Unrestricted net assets totaled \$819,565.

# VILLAGE OF SOUTH ROCKWOOD

*Management's Discussion and Analysis*  
Year Ended June 30, 2007

## Government-Wide Financial Analysis – Continued

**Table 2:**

### Comparative Statement of Changes in Net Assets Year Ended June 30,

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues						
Charges for services	\$300,990	\$310,446	\$330,241	\$257,991	\$631,231	\$568,437
Federal, state and local grants	109,304	165,315	0	0	109,304	165,315
	410,294	475,761	330,241	257,991	740,535	733,752
General revenues						
Property taxes	551,834	523,009	0	0	551,834	523,009
State grants	108,498	111,621	0	0	108,498	111,621
Other general revenues and transfers out	(45,227)	(61,893)	165,436	343,171	120,209	281,278
	615,105	572,737	165,436	343,171	780,541	915,908
Total Revenues	1,025,399	1,048,498	495,677	601,162	1,521,076	1,649,660
<b>Functions/Program Expenses</b>						
Legislative	6,990	10,703	0	0	6,990	10,703
General government	241,816	203,477	0	0	241,816	203,477
Public safety	280,655	217,943	0	0	280,655	217,943
Public works	322,337	299,947	0	0	322,337	299,947
Recreation and cultural	83,291	73,141	0	0	83,291	73,141
Other	33,822	21,506	0	0	33,822	21,506
Sewer	0	0	233,167	228,799	233,167	228,799
Water	0	0	256,903	225,779	256,903	225,779
Total Expenses	968,911	826,717	490,070	454,578	1,458,981	1,281,295
<b>Increase (Decrease) in Net Assets</b>	<u>\$56,488</u>	<u>\$221,781</u>	<u>\$5,607</u>	<u>\$146,584</u>	<u>\$62,095</u>	<u>\$368,365</u>

# VILLAGE OF SOUTH ROCKWOOD

## Management's Discussion and Analysis Year Ended June 30, 2007

### Government-Wide Financial Analysis - Concluded

The Village's governmental activities had an increase of \$56,488 in net assets. Total revenue decreased 2%, approximately \$23,000, while total expenses increased 17%, approximately \$142,000. The business-type activities had total expenses of \$490,070 and revenue of \$495,677, increasing net assets by \$5,607. The Water and Sewer funds are financed by charges to Village customers.

### Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of South Rockwood is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the funds accounting for the governmental activities reported a combined fund balance of \$ 1,074,074 which is a decrease of \$23,160 from last year. The changes by major and nonmajor funds are as follows:

	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Local Street Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>Fund balances -</b>					
<b>Beginning of Year</b>	\$ 437,145	\$ 211,326	\$ 206,470	\$ 242,293	\$ 1,097,234
Increase (decrease)	(42,545)	8,409	23,930	(12,954)	(23,160)
<b>Fund balances -</b>					
<b>End of year</b>	<u>\$ 394,600</u>	<u>\$ 219,735</u>	<u>\$ 230,400</u>	<u>\$ 229,339</u>	<u>\$ 1,074,074</u>

As indicated below, the General Fund's revenue increased 16.96% and expenses increased 44.96%.

	<b>June 30, 2007</b>	<b>June 30, 2006</b>	<b>Percent Change</b>
<b>Revenues</b>			
Property taxes	\$551,834	\$523,009	5.51 %
Licenses and permits	51,596	44,117	16.95 %
State grants	114,387	117,395	(2.56)%
Charges for services	54,501	53,267	2.32 %
Fines and forfeits	20,925	19,273	8.57 %
Interest	24,548	13,627	80.14 %
Other	107,528	92,937	15.70 %
Proceeds from capital leases	79,213	-	100.00 %
Operating transfer in	5,558	-	100.00 %
<b>Total Revenues</b>	<u>\$1,010,120</u>	<u>\$863,625</u>	16.96 %

## VILLAGE OF SOUTH ROCKWOOD

### *Management's Discussion and Analysis* *Year Ended June 30, 2007*

#### **Fund Financial Analysis – Concluded**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Percent Change</u>
<b>Expenditures</b>			
Legislative	\$ 6,990	\$ 10,703	(34.69)%
General government	268,747	162,503	65.38 %
Public safety	392,321	212,810	84.35 %
Public works	137,646	139,668	(1.45)%
Recreation and cultural	88,356	66,388	33.09 %
Other	33,822	21,506	57.27 %
Operating transfers out	124,783	112,618	10.80 %
<b>Total Expenditures</b>	<u>\$1,052,665</u>	<u>\$726,196</u>	44.96 %

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the Village Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Village revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

**Revenues** – The original budget was amended from \$860,524 to \$882,919. Several factors impact the planning of the General Fund budget. The Village, which relies heavily on property taxes and state shared revenue to fund General Fund expenditures. These two revenues account for 73% of the budgeted revenue.

**Expenditures** – The original budget was amended from \$1,108,715 to \$1,131,110. The Village budgeted a fund balance decrease of \$248,191. The actual result was a fund balance decrease of \$42,545.

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

At June 30, 2007, the Village had \$7,061,129 invested in a broad range of capital assets, including land, land improvements, building and improvements, machinery and equipment, vehicles, roads, and sewer and water lines. This amount represents an increase of \$240,829 net of deletions from last year. This year's major additions included two police vehicles, a John Deere Loader, playground equipment, Village Hall improvements, and water main improvements. Depreciation for this year totaled \$171,064. Detailed information regarding capital assets is included in Note 7 to the Financial Statements.

## **VILLAGE OF SOUTH ROCKWOOD**

### *Management's Discussion and Analysis Year Ended June 30, 2007*

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#### **Capital Assets and Debt Administration (Concluded)**

##### **Debt**

At June 30, 2007, the Village had debt totaling \$2,000,515. During the year, the Village financed two new police vehicles through Ford Motor Credit, and paid off an obligation with John Deere financing. Details regarding debt are included in Note 8 to the financial statements.

#### **Development of the 2007-08 Fiscal Year Budget**

Our elected officials considered many factors when setting the Village's 2007-08 fiscal year budget. In developing the 2007-08 General Fund budget, the Village expects revenues of \$944,547. Revenues were increased for property taxes and fines. Expenditures for 2007-08 were budgeted at \$1,063,308, an increase of approximately \$88,738 over the 2006-07 year mainly due to increases in salaries, health insurance, capital outlay, and the transfer to the Water Fund. The capital outlays for 2007-08 include Village Hall interior improvements, construction of a salt storage building, a new phone system, and playground equipment and fencing.

#### **Contacting the Village of South Rockwood**

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of South Rockwood, P.O. Box 85, South Rockwood, MI 48179.

# VILLAGE OF SOUTH ROCKWOOD

## *Statement of Net Assets* *June 30, 2007*

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$1,171,711	\$271,619	\$1,443,330
Accounts/taxes receivable	15,495	107,893	123,388
Due from other governmental units	35,325	0	35,325
Internal balances	4,257	(4,257)	0
Prepaid expenses	13,342	0	13,342
Depreciable capital assets, net	544,254	4,926,443	5,470,697
Connection fees receivable - noncurrent	0	5,630	5,630
	<hr/>	<hr/>	<hr/>
Total Assets	1,784,384	5,307,328	7,091,712
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts payable	40,675	7,064	47,739
Accrued and other liabilities	40,645	11,067	51,712
Long-term liabilities:			
Due within one year	43,009	109,589	152,598
Due in more than one year	97,319	1,750,598	1,847,917
	<hr/>	<hr/>	<hr/>
Total Liabilities	221,648	1,878,318	2,099,966
	<hr/>	<hr/>	<hr/>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	443,839	3,066,256	3,510,095
Restricted for drug enforcement / education	3,811	0	3,811
Restricted for highways and streets	450,135	0	450,135
Restricted for cemetery	208,140	0	208,140
Unrestricted	456,811	362,754	819,565
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$1,562,736	\$3,429,010	\$4,991,746
	<hr/>	<hr/>	<hr/>

See accompanying notes to the basic financial statements.

# VILLAGE OF SOUTH ROCKWOOD

## Statement of Activities Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government -			
Governmental activities:			
Legislative	\$6,990	\$0	\$0
General government	241,816	81,885	0
Public safety	280,655	72,521	1,155
Public works	322,337	119,691	108,149
Recreation and cultural	83,291	26,843	0
Other	33,822	0	0
Total Governmental Activities	968,911	300,940	109,304
Business-type activities:			
Sewer	233,167	142,021	0
Water	256,903	188,220	0
Total business type activities	490,070	330,241	0
Total primary government	<u>\$1,458,981</u>	<u>\$631,181</u>	<u>\$109,304</u>

### General Revenues:

Property taxes  
 State grants  
 Debt service and connection charges  
 Interest and investment earnings  
 Gain on sale of capital asset  
 Other  
 Transfers

Total General Revenues and Transfers

### Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets Primary Government		
Governmental Activities	Business-type Activities	Total
(\$6,990)	\$0	(\$6,990)
(159,931)	0	(159,931)
(206,979)	0	(206,979)
(94,497)	0	(94,497)
(56,448)	0	(56,448)
(33,822)	0	(33,822)
(558,667)	0	(558,667)
0	(91,146)	(91,146)
0	(68,683)	(68,683)
0	(159,829)	(159,829)
(558,667)	(159,829)	(718,496)
551,834	0	551,834
108,498	0	108,498
0	33,222	33,222
56,693	12,431	69,124
15,564	0	15,564
2,349	0	2,349
(119,783)	119,783	0
615,155	165,436	780,591
56,488	5,607	62,095
1,506,248	3,423,403	4,929,651
<u>\$1,562,736</u>	<u>\$3,429,010</u>	<u>\$4,991,746</u>



# VILLAGE OF SOUTH ROCKWOOD

## *Governmental Funds Balance Sheet June 30, 2007*

	General Fund	Major Street Fund	Local Street Fund
<b>Assets</b>			
Cash and investments	\$385,573	\$248,126	\$234,215
Accounts/taxes receivable	15,495	0	0
Due from other governmental units	35,325	0	0
Due from other funds	10,042	117	0
Prepaid expense	13,342	0	0
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u><u>\$459,777</u></u>	<u><u>\$248,243</u></u>	<u><u>\$234,215</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$15,569	\$25,106	\$0
Due to other funds	8,963	3,402	3,815
Escrow accounts	40,645	0	0
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	65,177	28,508	3,815
<b>Fund Balances</b>			
Reserved for prepaid expenses	13,342	0	0
Reserved for drug enforcement/education	3,811	0	0
Unreserved:			
Designated for future projects	189,589	0	0
Undesignated, reported in:			
General Fund	187,858	0	0
Special Revenue Funds	0	219,735	230,400
Capital Projects Fund	0	0	0
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>394,600</u>	<u>219,735</u>	<u>230,400</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balances	<u><u>\$459,777</u></u>	<u><u>\$248,243</u></u>	<u><u>\$234,215</u></u>

See accompanying notes to the basic financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$233,095	\$1,101,009
0	15,495
0	35,325
0	10,159
0	13,342
<u>\$233,095</u>	<u>\$1,175,330</u>
\$0	\$40,675
3,756	19,936
0	40,645
<u>3,756</u>	<u>101,256</u>
0	13,342
0	3,811
0	189,589
0	187,858
208,140	658,275
21,199	21,199
<u>229,339</u>	<u>1,074,074</u>
<u>\$233,095</u>	<u>\$1,175,330</u>

## VILLAGE OF SOUTH ROCKWOOD

### *Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Year Ended June 30, 2007*

<b>Total Fund Balances - Governmental Funds</b>		<b>\$1,074,074</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	\$643,262	
Accumulated depreciation	<u>(229,439)</u>	413,823
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Obligations under capital lease	(51,265)	
Compensated absences	<u>(39,913)</u>	(91,178)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities.		<u>166,017</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$1,562,736</u></b>

See accompanying notes to the basic financial statements.

# VILLAGE OF SOUTH ROCKWOOD

## *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007*

	General Fund	Major Street Fund	Local Street Fund
<b>Revenues</b>			
Taxes	\$551,834	\$0	\$0
Licenses and permits	51,596	0	0
State grants	114,387	72,707	30,708
Charges for services	54,501	0	0
Fines and forfeits	20,925	0	0
Interest/investment income	24,548	10,085	9,177
Other revenue	107,528	0	0
Total Revenues	925,319	82,792	39,885
<b>Expenditures</b>			
Current Operating:			
Legislative	6,990	0	0
General government	268,747	0	0
Public safety	392,321	0	0
Public works	137,646	64,383	30,955
Recreation and cultural	88,356	0	0
Other	33,822	0	0
Total Expenditures	927,882	64,383	30,955
Excess (Deficiency) of Revenues Over Expenditures	(2,563)	18,409	8,930
<b>Other Financing Sources (Uses)</b>			
Proceeds from capital lease	79,213	0	0
Operating transfers in	5,588	0	15,000
Operating transfers out	(124,783)	(10,000)	0
Total Other Financing Sources (Uses)	(39,982)	(10,000)	15,000
<b>Net Change in Fund Balances</b>	(42,545)	8,409	23,930
Fund Balances - Beginning of year	437,145	211,326	206,470
Fund Balances - End of year	\$394,600	\$219,735	\$230,400

See accompanying notes to the basic financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$551,834
0	51,596
0	217,802
24,085	78,586
0	20,925
9,532	53,342
0	107,528
33,617	1,081,613
0	6,990
40,983	309,730
0	392,321
0	232,984
0	88,356
0	33,822
40,983	1,064,203
(7,366)	17,410
0	79,213
0	20,588
(5,588)	(140,371)
(5,588)	(40,570)
(12,954)	(23,160)
242,293	1,097,234
<u>\$229,339</u>	<u>\$1,074,074</u>

## VILLAGE OF SOUTH ROCKWOOD

*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2007*

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**Total Net Change in Fund Balances - Governmental Funds** (\$23,160)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;

in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense (\$35,782)

Capital outlay 191,138

155,356

Increases in the liability for compensated absences are reported as an expenditure in the statement of activities, but not in the government funds.

294

Repayments of capital lease principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt).

31,011

Gains on the disposal of assets is recorded in the statement of activities, but proceeds on the disposal are reported in the governmental funds

(11,029)

Capital leases are reported as proceeds in the Other Financing Sources section of the governmental fund financial statements. The capital lease obligation is reported as a liability in the Statement of Net Assets.

(79,213)

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the Internal Service Fund is reported with governmental activities.

(16,771)

**Change in Net Assets of Governmental Activities**

\$56,488

See accompanying notes to the basic financial statements.

# VILLAGE OF SOUTH ROCKWOOD

## *Proprietary Funds Statement of Net Assets June 30, 2007*

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total	
<b>Assets</b>				
Current Assets:				
Cash	\$195,875	\$75,744	\$271,619	\$70,702
Receivables	54,379	53,514	107,893	0
Due from other funds	4,061	0	4,061	15,623
Total Current Assets	<u>254,315</u>	<u>129,258</u>	<u>383,573</u>	<u>86,325</u>
Capital Assets:	3,169,100	2,816,766	5,985,866	431,999
Less: Allowance for depreciation	(680,896)	(378,527)	(1,059,423)	(301,568)
Net Capital Assets	<u>2,488,204</u>	<u>2,438,239</u>	<u>4,926,443</u>	<u>130,431</u>
Other Assets:				
Connection fees receivable - noncurrent	<u>5,630</u>	<u>0</u>	<u>5,630</u>	<u>0</u>
Total Assets	<u>2,748,149</u>	<u>2,567,497</u>	<u>5,315,646</u>	<u>216,756</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	0	7,064	7,064	0
Accrued interest payable	3,067	8,000	11,067	0
Due to other funds	1,080	7,238	8,318	1,589
Current portion of long-term debt	<u>44,589</u>	<u>65,000</u>	<u>109,589</u>	<u>21,587</u>
Total Current Liabilities	48,736	87,302	136,038	23,176
Noncurrent Liabilities:				
Long-term debt-net of current portion	<u>535,598</u>	<u>1,215,000</u>	<u>1,750,598</u>	<u>27,563</u>
Total Liabilities	<u>584,334</u>	<u>1,302,302</u>	<u>1,886,636</u>	<u>50,739</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,908,017	1,158,239	3,066,256	81,281
Unrestricted	<u>255,798</u>	<u>106,956</u>	<u>362,754</u>	<u>84,736</u>
Total Net Assets	<u>\$2,163,815</u>	<u>\$1,265,195</u>	<u>\$3,429,010</u>	<u>\$166,017</u>

See accompanying notes to the basic financial statements.

# VILLAGE OF SOUTH ROCKWOOD

## Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2007

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total	
<b>Operating Revenues</b>				
Charges for services	\$137,054	\$160,373	\$297,427	\$65,190
Penalties	4,692	5,904	10,596	0
Tapping fees	0	21,799	21,799	0
Other revenue	275	144	419	178
Total Operating Revenues	142,021	188,220	330,241	65,368
<b>Operating Expenses</b>				
Water purchase	0	61,451	61,451	0
Transmission and distribution	175	125,454	125,629	82,125
Maintenance of lines	104,095	0	104,095	0
Processing of sewage	67,272	0	67,272	0
Office and Administration	48,588	36,455	85,043	6,000
Total Operating Expenses	220,130	223,360	443,490	88,125
Operating Income (Loss)	(78,109)	(35,140)	(113,249)	(22,757)
<b>Non-operating Revenues (Expenses)</b>				
Debt service charge	15,842	3,570	19,412	0
Connection fees	13,810	0	13,810	0
Gain on sale of equipment	0	0	0	5,879
Interest income	6,509	5,922	12,431	3,351
Interest expense	(13,037)	(33,543)	(46,580)	(3,244)
Total Non-operating Revenues (Expenses)	23,124	(24,051)	(927)	5,986
Income (Loss) before Transfers	(54,985)	(59,191)	(114,176)	(16,771)
Transfers in	0	119,783	119,783	0
<b>Change in Net Assets</b>	(54,985)	60,592	5,607	(16,771)
Net Assets - Beginning of year	2,218,800	1,204,603	3,423,403	182,788
Net Assets - End of year	<u>\$2,163,815</u>	<u>\$1,265,195</u>	<u>\$3,429,010</u>	<u>\$166,017</u>

See accompanying notes to the basic financial statements.



# VILLAGE OF SOUTH ROCKWOOD

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total	
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$138,030	\$177,700	\$315,730	\$65,925
Payments to suppliers	(138,365)	(132,601)	(270,966)	(23,655)
Payments to employees	(9,372)	(26,088)	(35,460)	(16,616)
Payments for administrative fees	(24,000)	(18,000)	(42,000)	(6,000)
Net cash provided by operating activities	(33,707)	1,011	(32,696)	19,654
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers in	0	119,783	119,783	0
Advance to the Water Fund	76,229	0	76,229	0
Advance from the other funds	0	(102,273)	(102,273)	0
Net cash flows from noncapital financing activities	76,229	17,510	93,739	0
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from capital leases	0	0	0	40,694
Proceeds from sales of equipment	0	0	0	11,850
Purchase of capital assets	0	(84,959)	(84,959)	(45,991)
Principal payments on contracts payable	(52,888)	(65,000)	(117,888)	(20,893)
Interest paid	(15,535)	(33,949)	(49,484)	(3,244)
Debt service and connection charges	32,182	3,570	35,752	0
Net cash used for capital and related financing activities	(36,241)	(180,338)	(216,579)	(17,584)
<b>Cash Flows from Investing Activities:</b>				
Interest income	6,509	5,922	12,431	3,351
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	12,790	(155,895)	(143,105)	5,421
Cash and Cash Equivalents - Beginning of Year	183,085	231,639	414,724	65,281
Cash and Cash Equivalents - End of Year	<u>\$195,875</u>	<u>\$75,744</u>	<u>\$271,619</u>	<u>\$70,702</u>

See accompanying notes to the basic financial statements.

# VILLAGE OF SOUTH ROCKWOOD

*Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2007*

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total	
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	(\$78,109)	(\$35,140)	(\$113,249)	(\$22,757)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	48,393	45,036	93,429	41,854
Changes in operating assets and liabilities:				
Receivables	(3,991)	(10,520)	(14,511)	557
Accounts payable	0	1,635	1,635	0
Net cash provided by operating activities	<u>(\$33,707)</u>	<u>\$1,011</u>	<u>(\$32,696)</u>	<u>\$19,654</u>

See accompanying notes to the basic financial statements.

## VILLAGE OF SOUTH ROCKWOOD

### *Notes to Financial Statements* *Year Ended June 30, 2007*

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#### Note 1      Description of the Village and Reporting Entity

The Village operates under a locally elected six member Council form of government. The Village provides the following services: public safety (police), highways and streets, sanitation, recreation and culture, public improvements, planning and zoning, cemetery, water and sewer, and general administrative services.

#### Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

#### Note 2      Summary of Significant Accounting Policies

The financial statements of the Village of South Rockwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. In accordance with GASB Statement 20 the Village has elected not to apply the FASB statements and interpretation issued after November 30, 1989, to its financial statements. Following are the more significant of the Village's accounting policies.

#### Basis of Presentation

##### A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The Village's government-wide activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds and the individual enterprise funds are reported as separate columns in the fund financial statements.

## VILLAGE OF SOUTH ROCKWOOD

*Notes to Financial Statements*  
*Year Ended June 30, 2007*

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Note 2      Summary of Significant Accounting Policies (Continued)  
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The Village reports the following major proprietary funds:

The Water Supply System Fund accounts for the operation and maintenance of the water supply system, capital additions and retirement of debt. Financing is provided by user charges and contributions by other funds.

The Sewage System Fund accounts for the operation and maintenance of the sewage disposal system, capital additions and retirement of debt. Financing is provided by user charges.

## VILLAGE OF SOUTH ROCKWOOD

*Notes to Financial Statements*  
*Year Ended June 30, 2007*

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Note 2      Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)  
Fund Financial Statements (Concluded)

Additionally, the Village reports the following Internal Service fund type:

The Equipment Fund accounts for the financing and maintenance of machinery and equipment used by other Village departments. Such costs are billed to the other departments at rates established by the State of Michigan.

The Village reports the following nonmajor governmental funds:

The Riverside Cemetery Fund, and Capital Projects Fund are the Village's nonmajor governmental funds. These funds are used to account for specific revenue sources that are restricted for a particular purpose.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent September 14 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, water or sewer lines) are reported in the applicable governmental or business-type activities columns of the government wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

## VILLAGE OF SOUTH ROCKWOOD

*Notes to Financial Statements*  
*Year Ended June 30, 2007*

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Note 2      Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 years
Buildings and buildings improvements	15-60 years
Machinery and equipment	3-15 years
Vehicles	5-10 years
Water and sewer lines	50-99 years
Infrastructure-Roads	20 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

## VILLAGE OF SOUTH ROCKWOOD

### *Notes to Financial Statements Year Ended June 30, 2007*

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#### Note 2      Summary of Significant Accounting Policies (Concluded)

##### Basis of Presentation (Concluded)

##### C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Compensated Absences - Village employees are granted vacation and personal days under formulas and conditions in the employees' contract. The vacation and personal pay is accrued in the government wide financial statements. In the fund financial statements, these amounts are reported when paid.

D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget deemed necessary are approved by the Village Council.
5. Budgets are adopted on basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

## VILLAGE OF SOUTH ROCKWOOD

### *Notes to Financial Statements* *Year Ended June 30, 2007*

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Note 3      Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

Note 4      Deposits and Investments

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At June 30, 2007, the Village of South Rockwood had invested in such a fund with a local bank. The Village is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Council has adopted an investment policy authorizing certain types of investments and authorized one depository: Monroe Bank and Trust.

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. As of June 30, 2007, \$1,359,914 of the Village's bank balance of \$1,459,914 was exposed to custodial credit risk deposits because it was uninsured and uncollateralized. The Village does not have a deposit policy for custodial credit risk. The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial credit risk-investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has not adopted a policy that indicates how the Village will minimize custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Village's name.

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Corporate bonds	97,620	Counterparty



## VILLAGE OF SOUTH ROCKWOOD

### Notes to Financial Statements Year Ended June 30, 2007

#### Note 4      Deposits and Investments (Concluded)

*Interest rate risk.* The Village's does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate bonds	\$97,620	N/A

*Credit risk.* State law limits investments in commercial paper to the top two ratings issued by nationally statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Corporate bonds	\$97,620	3-5 Stars	Morning Star

*Concentration of credit risk.* The Village does not have a formal investment policy that limits the amount the Village may invest in any one issuer as a means of diversifying it's investment portfolio. The Village has more than 5% of its investments in the following:

Corporate bonds	100%
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# VILLAGE OF SOUTH ROCKWOOD

## Notes to Financial Statements Year Ended June 30, 2007

Note 5      Interfund Receivables and Payables

Balances at June 30, 2007 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Major Street Fund	\$ 1,432	\$ -
Local Street Fund	1,613	-
Cemetery	763	-
Sewer Fund	1,080	388
Water Fund	3,565	-
Equipment Fund	1,589	8,575
Major Street Fund:		
General Fund	-	1,432
Equipment Fund	-	1,970
Local Street Fund	117	-
Local Street Fund:		
General Fund	-	1,613
Equipment Fund	-	2,085
Major Street Fund	-	117
Cemetery Fund:		
General Fund	-	763
Equipment Fund	-	2,993
Sewer Fund:		
General Fund	388	1,080
Water Fund	3,673	-
Water Fund:		
General Fund	-	3,565
Sewer Fund	-	3,673
Equipment Fund:		
General	8,575	1,589
Major Street Fund	1,970	-
Local Street Fund	2,085	-
Cemetery	<u>2,993</u>	<u>-</u>
	<u>\$29,843</u>	<u>\$29,843</u>

Note 6      Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2007, consisted of the following:

	<u>Transfers Out</u>			
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>Transfers In:</u>				
Local Street Fund	\$ 5,000	\$10,000	\$ -	\$ 15,000
Water Fund	119,783	-	-	119,783
General Fund	<u>-</u>	<u>-</u>	<u>5,588</u>	<u>5,588</u>
	<u>\$124,783</u>	<u>\$10,000</u>	<u>\$5,588</u>	<u>\$140,371</u>

# VILLAGE OF SOUTH ROCKWOOD

## Notes to Financial Statements Year Ended June 30, 2007

### Note 6      Interfund Transfers (Concluded)

The transfers from the General Fund and Major Street Fund to the Local Street Fund were for local street maintenance. The General Fund budgeted and transferred three mills of property taxes to the Water Fund for operation expenses. The Capital Projects Fund transfer to the General Fund was for park improvements.

### Note 7      Capital Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Activities:				
Assets not being depreciated:				
Land	\$39,000	\$0	\$0	\$39,000
Capital assets being depreciated:				
Building and building improvements	128,851	80,597	0	209,448
Land improvements	111,958	12,482	0	124,440
Police vehicles	64,654	73,942	(34,829)	103,767
Police equipment	50,742	22,461	(11,776)	61,427
Office equipment	30,775	1,656	(8,868)	23,563
Roads	81,618	0	0	81,618
Equipment Fund	411,795	45,991	(25,786)	432,000
Total capital assets	919,393	237,129	(81,259)	1,075,263
Less accumulated depreciation for:				
Building and building improvements	(74,236)	(4,064)	0	(78,300)
Land improvements	(63,004)	(8,128)	0	(71,132)
Police vehicles	(48,401)	(8,065)	23,800	(32,666)
Police equipment	(25,257)	(6,746)	11,776	(20,227)
Office equipment	(20,063)	(4,697)	8,868	(15,892)
Roads	(7,141)	(4,081)	0	(11,222)
Equipment Fund	(279,530)	(41,854)	19,815	(301,569)
Total accumulated depreciation	(517,632)	(77,635)	64,259	(531,008)
Net capital assets	\$401,761	\$159,494	(\$17,000)	\$544,255

# VILLAGE OF SOUTH ROCKWOOD

## *Notes to Financial Statements* *Year Ended June 30, 2007*

### Note 7      Capital Assets (Continued)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Business Activities:				
Assets not being depreciated:				
Land	\$3,410	\$0	\$0	\$3,410
Capital assets being depreciated:				
Water lines	2,058,219	0	0	2,058,219
Sewer lines	1,972,183	0	0	1,972,183
Mains/meters	640,265	79,679	0	719,944
Sewer treatment plant	1,193,507	0	0	1,193,507
Equipment	33,323	5,280	0	38,603
Total capital assets	5,900,907	84,959	0	5,985,866
Less accumulated depreciation for:				
Water lines	(112,862)	(33,106)	0	(145,968)
Sewer lines	(439,669)	(27,030)	0	(466,699)
Mains/meters	(212,614)	(9,970)	0	(222,584)
Sewer treatment plant	(192,834)	(21,362)	0	(214,196)
Equipment	(8,015)	(1,961)	0	(9,976)
Total accumulated depreciation	(965,994)	(93,429)	0	(1,059,423)
Net capital assets	<u>\$4,934,913</u>	<u>(\$8,470)</u>	<u>\$0</u>	<u>\$4,926,443</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 8,439
Public safety	15,845
Public works	45,935
Recreation and cultural	<u>7,416</u>
Total governmental activities	<u>\$77,635</u>
Business-type activities:	
Sewer fund	\$48,393
Water fund	<u>45,036</u>
Total business-type activities	<u>\$93,429</u>

# VILLAGE OF SOUTH ROCKWOOD

*Notes to Financial Statements  
Year Ended June 30, 2007*

Note 8

Long-Term Debt

The following is a summary of long-term debt outstanding as of June 30, 2007:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
Contract Liability for: South Huron Valley Utility Authority - 1991 SRF Bonds	2.00%	9/26/91	4/1/2011	\$ 162,374	\$ 41,277
Contract Liability for: South Huron Valley Utility Authority - 1998 Sewer System Plant Expansion Bonds	2.25%	9/29/98	10/1/2020	195,620	143,929
Contract Liability for: South Huron Valley Utility Authority - 2004 SRF Bonds	2.125%	6/24/04	4/1/2026	203,762	195,474
Contract Liability for: City of Woodhaven - 4% share of South Huron Valley Utility Authority 1991, 1998, and 2004 SRF Bonds	2.00 - 2.25%	3/22/05	4/1/2026	237,367	199,507
Contract Liability for: Michigan Municipal Bond Authority - Monroe County Water Supply System Bonds Village of South Rockwood System No. 2.	2.50%	9/26/02	4/1/2023	1,530,000	<u>1,280,000</u> 1,860,187
Obligations under Capital Leases: Ford Motor Credit Company- Municipal, payable \$2,369.19 quarterly, beginning January 6, 2006, including interest at 6.70%, due October 06, 2009, secured by the truck.	6.70%	1/06/06	10/06/2009	33,565	21,648
John Deere Credit, payable \$3,664.94 quarterly, beginning September 1, 2006, including interest at 5.75%, due June 1, 2009, secured by the tractor.	5.75%	9/01/06	9/01/2009	40,694	27,502

# VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements  
Year Ended June 30, 2007

## Note 8 Long-Term Debt (Continued)

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
Obligations under Capital Leases:					
Ford Motor Credit Police Car Lease, payable \$19,884 on May 30, 2007 and payable \$1,693 quarterly, beginning August 30, 2007, including interest at 6.90% due February 28, 2009, secured by the car.	6.90%	5/30/07	2/28/2009	\$30,960	\$ 11,076
Ford Motor Credit Police Car Lease, payable \$4,410 quarterly, beginning March 16, 2007, including interest at 6.90% due December 16, 2009 secured by the car.	6.90%	3/16/07	12/16/2009	48,253	<u>40,063</u>
					100,415
Compensated absences payable					<u>39,913</u>
					<u>\$2,000,515</u>

Compensated absences payable represents sick and comp time pay accrued as of June 30, 2007.

The following is a summary of changes in long-term debt:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Contract Liability for:					
South Huron Valley Utility Authority -1991 SRF Bonds	\$ 51,120	\$ -	\$ 9,843	\$ 41,277	\$ 10,033
Contract Liability for:					
South Huron Valley Utility Authority - 1998 Sewer System Plant Expansion Bonds	152,602	-	8,673	143,929	8,857
Contract Liability for:					
South Huron Valley Utility Authority - 2004 SRF Bonds	203,762	-	8,288	195,474	8,398

# VILLAGE OF SOUTH ROCKWOOD

## Notes to Financial Statements Year Ended June 30, 2007

### Note 8      Long-Term Debt (Continued)

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
Contract Liability for:					
City of Woodhaven 4%					
share of South Huron					
Valley Utility Authority					
1991, 1998, and 2004					
SRF Bonds	\$ 225,591	\$ -	\$ 26,084	\$ 199,507	\$ 17,301
Contract Liability for:					
Michigan Municipal					
Bond Authority -					
Monroe County Water					
Supply System Bonds					
VSR System No. 2	<u>1,345,000</u>	<u>-</u>	<u>65,000</u>	<u>1,280,000</u>	<u>65,000</u>
	1,978,075	-	117,888	1,860,187	109,589
Obligations under Capital Leases:					
Truck Lease	\$ 29,349	\$ -	\$ 7,701	\$ 21,648	\$ 8,230
Tractor Lease	-	40,694	13,192	27,502	13,357
04 Police Car Lease	3,063	-	3,063	-	-
06 Police Car Lease	-	48,253	8,064	40,189	15,256
07 Police Car Lease	<u>-</u>	<u>30,960</u>	<u>19,884</u>	<u>11,076</u>	<u>6,166</u>
	32,412	119,907	51,904	100,415	43,009
Compensated absences	<u>40,207</u>	<u>-</u>	<u>294</u>	<u>39,913</u>	<u>-</u>
	<u>\$2,050,694</u>	<u>\$119,907</u>	<u>\$170,086</u>	<u>\$2,000,515</u>	<u>\$152,598</u>

Contract liability for South Huron Valley Utility Authority - 1991 SRF Bonds original issue of \$12,785,000 with the Village's share set at 1.27%, equaling \$162,374. The Bonds were issued September 26, 1991, by the County of Wayne:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/1/07	\$ -	\$ 413	\$ 413
04/1/08	10,033	413	10,446
10/1/08	-	312	312
04/1/09	10,224	312	10,536
10/1/09	-	210	210
04/1/10	10,414	210	10,624
10/1/10	-	106	106
04/1/11	<u>10,606</u>	<u>106</u>	<u>10,712</u>
	<u>\$41,277</u>	<u>\$2,082</u>	<u>\$43,359</u>

## VILLAGE OF SOUTH ROCKWOOD

### *Notes to Financial Statements* *Year Ended June 30, 2007*

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#### Note 8

#### Long-Term Debt (Continued)

South Huron Valley Utility Authority - 1998 Sewer System Plant Expansion Bonds, original issue of \$26,615,000 dated September 29, 1998 with the Village's share set at 0.735%, equaling \$195,620.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/1/07	\$ 8,857	\$ 1,619	\$ 10,476
04/1/08	-	1,520	1,520
10/1/08	9,077	1,520	10,597
04/1/09	-	1,417	1,417
10/1/09	9,261	1,417	10,678
04/1/10	-	1,313	1,313
10/1/10	9,482	1,313	10,795
04/1/11	-	1,207	1,207
10/1/11	9,702	1,207	10,909
04/1/12	-	1,097	1,097
10/1/12	9,923	1,097	11,020
04/1/13	-	986	986
10/1/13	10,106	986	11,092
04/1/14	-	872	872
10/1/14	10,327	872	11,199
04/1/15	-	756	756
10/1/15	10,584	756	11,340
04/1/16	-	637	637
10/1/16	10,805	637	11,442
04/1/17	-	515	515
10/1/17	11,062	515	11,577
04/1/18	-	391	391
10/1/18	11,319	391	11,710
04/1/19	-	264	264
10/1/19	11,576	264	11,840
04/1/20	-	133	133
10/1/20	<u>11,848</u>	<u>133</u>	<u>11,981</u>
	<u>\$143,929</u>	<u>\$23,835</u>	<u>\$167,764</u>



## VILLAGE OF SOUTH ROCKWOOD

*Notes to Financial Statements*  
*Year Ended June 30, 2007*

Note 8

Long-Term Debt (Continued)

South Huron Valley Utility Authority - 2004 SRF Bonds original issue of \$9,220,000 dated June 24, 2004 with the Village's share set at 2.210%, equaling \$203,762.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/01/07	\$ -	\$2,077	\$2,077
04/01/08	8,398	2,077	10,475
10/01/08	-	1,988	1,988
04/01/09	8,619	1,988	10,607
10/01/09	-	1,896	1,896
04/01/10	8,840	1,896	10,736
10/01/10	-	1,802	1,802
04/01/11	8,950	1,802	10,752
10/01/11	-	1,707	1,707
04/01/12	9,172	1,707	10,879
10/01/12	-	1,610	1,610
04/01/13	9,393	1,610	11,003
10/01/13	-	1,510	1,510
04/01/14	9,614	1,510	11,124
10/01/14	-	1,408	1,408
04/01/15	9,834	1,408	11,242
10/01/15	-	1,303	1,303
04/01/16	10,056	1,303	11,359
10/01/16	-	1,196	1,196
04/01/17	10,166	1,196	11,362
10/01/17	-	1,088	1,088
04/01/18	10,387	1,088	11,475
10/01/18	-	978	978
04/01/19	10,608	978	11,586
10/01/19	-	865	865
04/01/20	10,939	865	11,804
10/01/20	-	749	749
04/01/21	11,160	749	11,909
10/01/21	-	630	630
04/01/22	11,382	630	12,012
10/01/22	-	510	510
04/01/23	11,602	510	12,112
10/01/23	-	386	386
04/01/24	11,823	386	12,209
10/01/24	-	261	261
04/01/25	12,155	261	12,416
10/01/25	-	132	132
04/01/26	12,376	132	12,508
	<u>\$195,474</u>	<u>\$44,192</u>	<u>\$239,666</u>

# VILLAGE OF SOUTH ROCKWOOD

*Notes to Financial Statements*  
*Year Ended June 30, 2007*

Note 8      Long-Term Debt (Continued)

City of Woodhaven - South Huron Valley Utility Authority - 1991 SRF Bonds, 1998 Sewer System Plant Expansion Bonds, and 2004 SRF Bonds, 4% share of the City of Woodhaven's SHVUA debt share.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/01/07	\$2,992	\$2,125	\$5,117
04/01/08	14,309	2,091	16,400
10/01/08	3,066	1,945	5,011
04/01/09	14,617	1,911	16,528
10/01/09	3,127	1,763	4,890
04/01/10	14,923	1,728	16,651
10/01/10	3,200	1,575	4,775
04/01/11	15,167	1,539	16,706
10/01/11	3,274	1,384	4,658
04/01/12	5,244	1,347	6,591
10/01/12	3,348	1,291	4,639
04/01/13	5,370	1,253	6,623
10/01/13	3,421	1,196	4,617
04/01/14	5,496	1,158	6,654
10/01/14	3,495	1,100	4,595
04/01/15	5,623	1,060	6,683
10/01/15	3,581	1,000	4,581
04/01/16	5,749	960	6,709
10/01/16	3,654	899	4,553
04/01/17	5,812	858	6,670
10/01/17	3,740	796	4,536
04/01/18	5,939	754	6,693
10/01/18	3,826	691	4,517
04/01/19	6,065	648	6,713
10/01/19	3,912	584	4,496
04/01/20	6,254	540	6,794
10/01/20	3,997	473	4,470
04/01/21	6,381	428	6,809
10/01/21	-	360	360
04/01/22	6,507	360	6,867
10/01/22	-	291	291
04/01/23	6,633	291	6,924
10/01/23	-	221	221
04/01/24	6,760	221	6,981
10/01/24	-	149	149
04/01/25	6,949	149	7,098
10/01/25	-	75	75
04/01/26	7,076	75	7,151
	<u>\$199,507</u>	<u>\$35,289</u>	<u>\$234,796</u>

## VILLAGE OF SOUTH ROCKWOOD

### Notes to Financial Statements

Year Ended June 30, 2007

Note 8

Long-Term Debt (Continued)

Michigan Municipal Bond Authority - Monroe County Water Supply System Bonds, Village of South Rockwood System #2, original issue of \$1,530,000 dated September 26, 2002.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/1/07	\$ -	\$16,000	\$16,000
04/1/08	65,000	16,000	81,000
10/1/08	-	15,187	15,187
04/1/09	70,000	15,188	85,188
10/1/09	-	14,312	14,312
04/1/10	70,000	14,313	84,313
10/1/10	-	13,437	13,437
04/1/11	70,000	13,438	83,438
10/1/11	-	12,562	12,562
04/1/12	75,000	12,563	87,563
10/1/12	-	11,625	11,625
04/1/13	75,000	11,625	86,625
10/1/13	-	10,687	10,687
04/1/14	75,000	10,688	85,688
10/1/14	-	9,750	9,750
04/1/15	80,000	9,750	89,750
10/1/15	-	8,750	8,750
04/1/16	80,000	8,750	88,750
10/1/16	-	7,750	7,750
04/1/17	80,000	7,750	87,750
10/1/17	-	6,750	6,750
04/1/18	85,000	6,750	91,750
10/1/18	-	5,688	5,688
04/1/19	85,000	5,688	90,688
10/1/19	-	4,625	4,625
04/1/20	90,000	4,625	94,625
10/1/20	-	3,500	3,500
04/1/21	90,000	3,500	93,500
10/1/21	-	2,375	2,375
04/1/22	95,000	2,375	97,375
10/1/22	-	1,187	1,187
04/1/23	<u>95,000</u>	<u>1,187</u>	<u>96,187</u>
	<u>\$1,280,000</u>	<u>\$288,375</u>	<u>\$1,568,375</u>

# VILLAGE OF SOUTH ROCKWOOD

## *Notes to Financial Statements* *Year Ended June 30, 2007*

Note 8      Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at June 30, 2007, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 43,009	\$5,541	\$ 48,550
2009	44,187	2,669	46,856
2010	<u>13,219</u>	<u>339</u>	<u>13,558</u>
	<u>\$100,415</u>	<u>\$8,549</u>	<u>\$108,964</u>

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 109,589	\$ 44,335	\$ 153,924
2009	115,603	41,768	157,371
2010	116,565	39,058	155,623
2011	117,405	36,325	153,730
2012	102,392	33,574	135,966
2013 - 2017	536,357	130,068	666,425
2018 - 2022	591,902	62,221	654,123
2023 - 2027	<u>170,374</u>	<u>6,424</u>	<u>176,798</u>
	<u>\$1,860,187</u>	<u>\$393,773</u>	<u>\$2,253,960</u>

Note 9      Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by the Public Employees Benefit Services Corporation (PEBSO), as agent for the United States Conference of Mayors (USCM) of Washington, D.C. The Plan, available to all Village employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust for the exclusive benefit of employees. While the contract is held by the Village of South Rockwood, the assets of the plan are held for the exclusive benefit of plan participants and their beneficiaries. The plan assets cannot be used to satisfy claims of general creditors. Therefore, the amount held in trust is not shown on the balance sheet.

Note 10      Cablevision Franchise Fees

On October 18, 1982, the Village Council decided that all monies received from Wayne Cablevision for franchise fees would be accumulated, along with applicable interest, until it decides how the money will be spent. During the fiscal year ending June 30, 2007, the Village did not spend any of these monies. As of June 30, 2007, \$189,589 has been accumulated.

## VILLAGE OF SOUTH ROCKWOOD

### *Notes to Financial Statements* *Year Ended June 30, 2007*

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#### Note 11      Property Taxes

Under its charter, the Village may levy up to 20 mills for general operating purposes. Taxes are levied on July 1 each year and are collected by the Village from July 1 to September 14. The property tax revenue is recognized in the period that the tax was levied. The taxable value for both real and personal property as of December 31, 2005 amounted to \$39,909,703 which represents a percentage of the fair market value of the assessed property.

The 2006 tax roll consisted of 13.7857 mills levied for the General Fund. The Village budgeted three of the 13.7857 mills as a contribution to the Water Supply System Fund amounting to \$119,783.

#### Note 12      Sharing of Administrative and General Expenses

As a method of prorating certain administrative and general expenses to the various funds of the Village, the Village Council adopted, as part of the annual budget, a schedule of payments to be made to the General Fund by the various funds to cover their share of the designated expenses. The following schedule of payments was included in the 2006-07 budget:

Major Street Fund	\$ 7,000
Local Street Fund	2,800
Sewage System Fund	24,000
Water Supply Fund	18,000
Equipment Fund	<u>6,000</u>
Total	<u>\$57,800</u>

#### Note 13      Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

#### Note 14      Charges for Services

Charges for users and beneficiaries of the Water Supply System and Sewer System Enterprise Funds consist of the following:

##### Water Supply System:

Water sales - a water charge is billed at rates established by the Village based on water consumption.

Debt service charge - a debt service charge of \$5.00 per quarter is charged to each user to a maximum of \$300. Effective December 31, 2001, the \$300 charge is paid prior to connection to the water system.

##### Sewer System:

Sewage treatment charge - a sewer treatment charge is billed at rates established by the Village based on water consumption.

Sewer maintenance charge - a sewer maintenance charge of \$4.00 per month is charged to each customer of the system.

Debt service charge - a debt service charge of \$2.36 per month per unit is charged to each user of the system.

## VILLAGE OF SOUTH ROCKWOOD

### *Notes to Financial Statements* *Year Ended June 30, 2007*

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Note 15      Drug Forfeiture Funds

During the year ending June 30, 2007, the Village did not receive any drug forfeiture funds, earned \$147 in interest on drug forfeiture funds and expended none of these funds for drug enforcement and education. As of June 30, 2007, the Village has \$3,811 on hand for future related expenditures.

Note 16      Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2007, of \$24,487 did not exceed the related costs and administrative overhead.

# VILLAGE OF SOUTH ROCKWOOD

## General Fund Statement of Revenues, Expenditures, and Fund Balance Budget to Actual Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$551,733	\$551,733	\$551,834	\$101
Licenses and permits	37,450	46,350	51,596	5,246
State grants:				
State shared revenue	112,000	94,195	108,498	14,303
Right of way	0	4,700	4,734	34
Liquor license fees	1,000	1,000	1,155	155
	<u>113,000</u>	<u>99,895</u>	<u>114,387</u>	<u>14,492</u>
Charges for services:				
Weed cutting	500	500	992	492
Refuse collection	49,692	49,692	53,105	3,413
Other	200	200	404	204
	<u>50,392</u>	<u>50,392</u>	<u>54,501</u>	<u>4,109</u>
Fines and forfeits	13,000	20,000	20,925	925
Interest income	5,000	20,000	24,548	4,548
Other revenue:				
Summer recreation program	31,149	35,749	26,843	(8,906)
Administration expenses	57,800	57,800	57,800	0
Other revenue	1,000	1,000	22,885	21,885
	<u>89,949</u>	<u>94,549</u>	<u>107,528</u>	<u>12,979</u>
<b>Total Revenues</b>	<b>860,524</b>	<b>882,919</b>	<b>925,319</b>	<b>42,400</b>
<b>Expenditures</b>				
Legislative:				
Council	18,296	18,859	6,990	11,869
General government:				
President	767	927	797	130
Audit fees	14,630	14,630	14,630	0
Legal fees	14,000	16,400	17,944	(1,544)
Clerk	83,157	78,432	76,227	2,205
Treasurer	22,708	25,133	24,950	183
Village hall and grounds	89,071	139,821	134,199	5,622
Promotional	50	50	0	50
	<u>224,383</u>	<u>275,393</u>	<u>268,747</u>	<u>6,646</u>

# VILLAGE OF SOUTH ROCKWOOD

## General Fund Statement of Revenues, Expenditures, and Fund Balance Budget to Actual Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Expenditures (Concluded)</b>				
Public safety:				
Police department	\$272,835	\$270,135	\$329,174	(\$59,039)
Building inspection	17,000	23,200	23,087	113
Electrical inspection	9,200	4,400	3,648	752
Plumbing inspection	10,683	17,683	17,084	599
Zoning board	1,415	1,415	744	671
Planning commission	18,800	22,200	18,584	3,616
	<u>329,933</u>	<u>339,033</u>	<u>392,321</u>	<u>(53,288)</u>
Public works:				
Department of public works	62,724	63,524	48,331	15,193
Street lighting	17,500	18,500	16,841	1,659
Sanitation	52,236	52,236	49,100	3,136
Engineer	9,000	3,000	1,660	1,340
Recycling	23,163	27,106	21,714	5,392
	<u>164,623</u>	<u>164,366</u>	<u>137,646</u>	<u>26,720</u>
Recreation and cultural:				
Playground	53,551	63,241	58,442	4,799
Youth program	450	450	316	134
Summer recreation program	31,149	35,749	29,598	6,151
	<u>85,150</u>	<u>99,440</u>	<u>88,356</u>	<u>11,084</u>
Other:				
Unemployment compensation	9,000	11,000	7,122	3,878
Insurance and bonds	18,000	28,000	26,700	1,300
Other	350	25	0	25
Contingencies	134,145	70,159	0	70,159
	<u>161,495</u>	<u>109,184</u>	<u>33,822</u>	<u>75,362</u>
Total Expenditures	<u>983,880</u>	<u>1,006,275</u>	<u>927,882</u>	<u>78,393</u>
Excess (Deficiency) of Revenues Over Expenditures	(123,356)	(123,356)	(2,563)	120,793
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital leases	0	0	79,213	79,213
Operating transfer in	0	0	5,588	5,588
Operating transfer out	(124,835)	(124,835)	(124,783)	52
Total Other Financing Sources (Uses)	<u>(124,835)</u>	<u>(124,835)</u>	<u>(39,982)</u>	<u>84,853</u>
<b>Net Change in Fund Balances</b>	(248,191)	(248,191)	(42,545)	205,646
Fund Balances - Beginning of year	<u>248,191</u>	<u>248,191</u>	<u>437,145</u>	<u>188,954</u>
Fund Balances - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$394,600</u>	<u>\$394,600</u>



# VILLAGE OF SOUTH ROCKWOOD

## Major Street Fund Statement of Revenues, Expenditures, and Fund Balance Budget to Actual Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
State grants:				
Gas and weight tax	\$72,300	\$72,300	\$70,281	(\$2,019)
Local program funds	2,800	2,800	2,426	(374)
	75,100	75,100	72,707	(2,393)
Interest income	3,000	6,150	10,085	3,935
<b>Total Revenues</b>	<b>78,100</b>	<b>81,250</b>	<b>82,792</b>	<b>1,542</b>
<b>Expenditures</b>				
Public works:				
Construction	5,000	5,000	0	5,000
Routine maintenance	99,368	100,568	45,529	55,039
Traffic services	5,001	6,801	4,347	2,454
Winter maintenance	10,459	10,459	6,688	3,771
Administrative and engineering	7,800	7,950	7,819	131
Contingencies	145,627	145,627	0	145,627
<b>Total Expenditures</b>	<b>273,255</b>	<b>276,405</b>	<b>64,383</b>	<b>212,022</b>
Excess (Deficiency) of Revenues Over Expenditures	(195,155)	(195,155)	18,409	213,564
<b>Other Financing Sources (Uses)</b>				
Operating transfer out	(10,000)	(10,000)	(10,000)	0
<b>Net Change in Fund Balances</b>	<b>(205,155)</b>	<b>(205,155)</b>	<b>8,409</b>	<b>213,564</b>
Fund Balances - Beginning of year	205,155	205,155	211,326	6,171
Fund Balances - End of year	\$0	\$0	\$219,735	\$219,735

# VILLAGE OF SOUTH ROCKWOOD

## Local Street Fund Statement of Revenues, Expenditures, and Fund Balance Budget to Actual Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
State grants:				
Gas and weight tax	\$30,000	\$30,000	\$29,683	(\$317)
Local program funds	1,000	1,000	1,025	25
	<u>31,000</u>	<u>31,000</u>	<u>30,708</u>	<u>(292)</u>
Interest income	<u>2,000</u>	<u>4,800</u>	<u>9,177</u>	<u>4,377</u>
Total Revenues	<u>33,000</u>	<u>35,800</u>	<u>39,885</u>	<u>4,085</u>
<b>Expenditures</b>				
Public works:				
Construction	52,941	52,941	0	52,941
Routine maintenance	29,043	31,543	25,476	6,067
Traffic services	2,753	2,753	193	2,560
Winter maintenance	5,561	5,561	2,267	3,294
Administrative and engineering	2,900	3,200	3,019	181
Contingencies	<u>97,478</u>	<u>97,478</u>	<u>0</u>	<u>97,478</u>
Total Expenditures	<u>190,676</u>	<u>193,476</u>	<u>30,955</u>	<u>162,521</u>
Excess (Deficiency) of Revenues Over Expenditures	(157,676)	(157,676)	8,930	166,606
<b>Other Financing Sources (Uses)</b>				
Operating transfer in	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(142,676)	(142,676)	23,930	166,606
Fund Balances - Beginning of year	<u>142,676</u>	<u>142,676</u>	<u>206,470</u>	<u>63,794</u>
Fund Balances - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$230,400</u>	<u>\$230,400</u>

**VILLAGE OF SOUTH ROCKWOOD**

*Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2007*

	Special Revenue Fund Riverside Cemetery	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and investments	\$211,896	\$21,199	\$233,095
Total Assets	\$211,896	\$21,199	\$233,095
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$3,756	\$0	\$3,756
Total Liabilities	3,756	0	3,756
<b>Fund Balances</b>			
Unreserved	208,140	21,199	229,339
Total Liabilities and Fund balances	\$211,896	\$21,199	\$233,095

# VILLAGE OF SOUTH ROCKWOOD

## *Nonmajor Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007*

	Special Revenue Fund Riverside Cemetery	Capital Projects	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Charges for services	\$24,085	\$0	\$24,085
Interest/investment income	8,640	892	9,532
	<hr/>	<hr/>	<hr/>
Total Revenues	32,725	892	33,617
<b>Expenditures</b>			
Current Operating:			
General government	40,983	0	40,983
	<hr/>	<hr/>	<hr/>
Total Expenditures	40,983	0	40,983
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(8,258)	892	(7,366)
<b>Other Financing Sources (Uses)</b>			
Operating transfer out	0	(5,588)	(5,588)
	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balances</b>	(8,258)	(4,696)	(12,954)
Fund Balances - Beginning of year	216,398	25,895	242,293
	<hr/>	<hr/>	<hr/>
Fund Balances - End of year	<u>\$208,140</u>	<u>\$21,199</u>	<u>\$229,339</u>

# VILLAGE OF SOUTH ROCKWOOD

## Riverside Cemetery Fund Statement of Revenues, Expenditures, and Fund Balance Budget to Actual Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Charges for services:				
Perpetual care fees	\$1,200	\$950	\$950	\$0
Grave opening / closing fees	9,750	9,750	11,000	1,250
Sale of lots	4,800	6,500	7,210	710
Monument footing fees	1,500	3,500	4,925	1,425
	17,250	20,700	24,085	3,385
Interest / investment income	700	700	8,640	7,940
Other revenue	100	100	0	(100)
<b>Total Revenues</b>	<b>18,050</b>	<b>21,500</b>	<b>32,725</b>	<b>11,225</b>
<b>Expenditures</b>				
Cemetery:				
Sexton	5,722	6,772	6,187	585
Grave opening / closing	11,980	15,080	8,688	6,392
Ground upkeep / maintenance	20,506	30,591	26,108	4,483
Contingencies	186,809	176,024	0	176,024
<b>Total Expenditures</b>	<b>225,017</b>	<b>228,467</b>	<b>40,983</b>	<b>187,484</b>
<b>Net Change in Fund Balances</b>	<b>(206,967)</b>	<b>(206,967)</b>	<b>(8,258)</b>	<b>198,709</b>
Fund Balances - Beginning of year	206,967	206,967	216,398	9,431
Fund Balances - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$208,140</u>	<u>\$208,140</u>

# VILLAGE OF SOUTH ROCKWOOD

## *Capital Projects Fund* *Statement of Revenues, Expenditures, and Fund Balance* *Budget to Actual* *Year Ended June 30, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Interest income	\$650	\$650	\$892	\$242
Total Revenues	650	650	892	242
<b>Expenditures</b>				
Other	26,459	20,871	0	20,871
Excess (Deficiency) of Revenues Over Expenditures	(25,809)	(20,221)	892	21,113
<b>Other Financing Sources (Uses)</b>				
Operating transfer out	0	(5,588)	(5,588)	0
<b>Net Change in Fund Balances</b>	(25,809)	(25,809)	(4,696)	21,113
Fund Balances - Beginning of year	25,809	25,809	25,895	86
Fund Balances - End of year	\$0	\$0	\$21,199	\$21,199



**COOLEY HEHL  
WOHLGAMUTH & CARLTON**  
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA  
David K. Hehl, CPA  
Robert W. Wohlgamuth, CPA  
Peter H. Carlton, CPA  
Matthew D. Hehl, CPA  
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281  
Telephone: (734) 241-7200 • Fax: (734) 241-2637  
www.chwccpa.com

Members:  
American Institute of Certified Public Accountants  
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Certified Public Accountants

Village Council  
Village of South Rockwood  
5676 Carleton-Rockwood Road  
South Rockwood, Michigan 48179

In planning and performing our audit of the financial statements of the Village of South Rockwood as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

#### Financial Statements

The Village does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the government has historically relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the government lacks internal controls over the preparation of the financial statements in accordance with GAAP.

Village Council  
Village of South Rockwood

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The following comments are not significant deficiencies or material weaknesses but are suggestions to improve your existing accounting and control systems.

Sewer Tap Revenue

As part of the audit, we reconcile sewer tap revenue with sewer card permits. Each sewer tap sold should have a copy of the permit and receipt filed with the sewer card. We noted three instances where no sewer card was filed. We recommend the Village review all sewer tap sales to ensure the proper documentation is being completed.

Water and Sewer Billings

During the audit, we noted that several Water and Sewer usage billings were posted to the incorrect revenue accounts. We corrected these postings by reclassifying the billings to the proper usage revenue accounts. We recommend that the Village should communicate this problem to their software company (BS&A). We believe the software needs to be reviewed to ensure billings are properly set-up. Please consult with us, so we can assist in this meeting.

We appreciate the cooperation and courtesy extended to us by the officials and employees of the Village during the audit engagement. We are encouraged by the Village's efforts to improve and maintain a sound internal accounting control system and by the efficiency of those people involved. It is our pleasure to have been of service to the Village of South Rockwood.

Very truly yours,



October 31, 2007